

Chapter 1

ZERO OVERPRICING PROGRAM (ZOP)

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1.1. Zero Overpricing Explained.

1.1.1. The purpose of the ZOP is to reduce overpricing in the Air Force (AF) and other Department of Defense (DoD) acquisitions, to furnish a means for all Air Force materiel users to become involved in promoting more efficient use of funds, and to provide for recognition and awards for such personnel under AFI 38-401, *The Innovative Development through Employee Awareness (IDEA) Program*.

1.1.2. Reasons for overpricing include contracting errors, overly rigid specifications (overengineering), excessive urgency, or repetitive small purchase quantities of the same item.

1.1.3. Usually, overpricing falls within two categories:

1.1.3.1. Payment of a higher price when a less expensive alternative with acceptable technical merit is available or could be readily developed cost effectively. Examples include:

1.1.3.1.1. Excessive prices attributable to exceedingly rigid or restrictive item specification/procedure.

1.1.3.1.2. The item is overengineered or overpackaged.

1.1.3.1.3. The item is restricted to sole source acquisition when it might be broken out with enhanced competition.

1.1.3.1.4. An economic order quantity (EOQ) spare is purchased, whereas conversion into a repairable investment item would result in savings.

1.1.3.1.5. Local manufacture (LM) or local purchase (LP) may be less expensive than current method of acquisition.

1.1.3.1.6. Duplicate national stock numbers (NSN): one should be abolished.

1.1.3.1.7. Lack of knowledge or insufficient research by the user as to which LP item among several is best requisitioned at a lower price through base (operational) contracting procedures. (LP items under \$2,500 are procured through the IMPAC Program.)

1.1.3.2. Payment of a higher price due to payment in excess of prices considered fair and reasonable. Examples include:

1.1.3.2.1. Hidden or duplicate costs charged by the contractor.

1.1.3.2.2. Inadequate levels of competition.

1.1.3.2.3. Restrictive sole source procurement in situations where breakout would enhance the level of competition, consequently reducing the price.

1.2. Responsibilities Assigned.

1.2.1. HQ USAF/ILSP Responsibilities:

1.2.1.1. Monitor the program and establish/interpret its policies.

1.2.1.2. Evaluate and interpret data from report control symbol (RCS) reports.

1.2.1.3. Resolve problems involving other services, Defense Logistics Agency (DLA), or General Services Administration (GSA) overpricing procedures when requested to do so by HQ AFMC/LGIA, the ZOP OPR. HQ AFMC/PKPC is the ZOP OCR.

1.2.2. Major Commands (MAJCOM) Responsibilities: MAJCOMs will establish a ZOP monitor. (Functional designation of this monitor may vary, depending on MAJCOM mission.) When required to evaluate ZOP cases, the monitor may request assistance from other functional areas within the MAJCOM. The MAJCOM ZOP monitor:

1.2.2.1. Provides guidance and serves as arbitrator to bases or stations pertaining to issues requiring resolution regarding individual referrals/challenges.

1.2.2.2. Forwards base or station generated requests for reevaluation for Air Force Materiel Command (AFMC) managed items to HQ AFMC for final decision.

1.2.2.3. Ensures, where warranted, that proper action is taken to obtain a price reduction and pursue a refund in cases where overpricing is verified. Actions that must be considered are reductions and recoupment allowed by the contract clauses, investigations of improper activity, and voluntary refunds by contractors.

1.2.2.4. Collects and submits data, as required by paragraphs 1.4 and 1.8.

Note: Host command monitors serve as arbitrators for tenant challenges that cannot be resolved at base or station level.

1.2.2.5. Assists, as required, in the processing of high priority Accelerated Zero Overpricing Program (AZOP) challenges/referrals (see Chapter 2 of this volume).

1.2.3. Base and Station Responsibilities:

1.2.3.1. All Air Force materiel users, including civilian as well as military, must be alert for instances of apparent overpricing, develop information necessary for overpricing referrals (see attachment 1A1), and provide this information to the ZOP monitor. Employees of government contractors are also allowed to participate in ZOP as directed by DoDI 4140.60, *DoD Materiel Management*. However, special consideration must be given to information disclosed in response to contractor employees' challenges/referrals (see paragraph A2.3 of attachment 2A2).

1.2.3.2. Base or station chiefs of supply (COS) will designate a person to be the ZOP monitor who will ensure that challenges/referrals are properly validated before off-base submission.

1.2.4. Air Logistics Center (ALC) Responsibilities:

1.2.4.1. A ZOP monitor will be designated by the ALC commander or functional director responsible for the ZOP. The functional designation of the ZOP monitor may vary depending upon the organizational location of the program at each ALC. Refer to attachment 1A4 of this volume for functional designations and point of contact (POC) addresses.

1.2.4.2. The ALCs have a dual role in the program. One role is to process challenges received from within the ALC and the tenant organizations on items managed by non-Air Force activities. The other role is to evaluate and respond to challenges pertaining to items that are managed by the center as the source of supply (SOS). These two functions will be organized under one office responsible for the entire program at the base and the ALC on the base.

1.2.4.3. Materiel user responsibilities (paragraph 1.2.3.1) at an ALC will be the same as for Air Force bases and stations.

1.3. Base/Station ZOP Monitors' Duties.

1.3.1. The monitors will:

1.3.1.1. Receive overpricing challenges from all sources.

1.3.1.2. Establish a file for each zero overpricing case. This file must contain:

1.3.1.2.1. The originator's name, organization address, telephone number, and date of the challenge/referral.

1.3.1.2.2. A locally assigned control number.

1.3.1.2.3. All data pertaining to the challenge/referral (refer to attachment 1A1).

1.3.1.2.4. Responses to challenges/referrals. This may include SOS responses, base contracting responses, and follow-up of reevaluation activity, plus engineering or technical data and associated information or other relevant concerns.

1.3.1.2.5. The letter of notification to the challenger of the SOS approval/disapproval action. The approval notification should be retained to provide documentation to support the challenger's submission of a confirmatory IDEA, using the IPDS system, if applicable. (See paragraph 1.7 for information related to the relationship with the IDEA Program.)

1.3.1.3. Maintain all records pertaining to challenges/referrals logged in and closed out for purposes of tracking cases remaining open, as well as those having been previously reviewed.

1.3.1.4. Prepare and send the annual report described in paragraph 1.8 to the MAJCOM ZOP monitor within 15 calendar days after the end of a fiscal year (FY), 15 October or the closest workday to the 15th. Report requirements can be found in the paragraph.

1.4. ALC ZOP Monitor Procedures.

1.4.1. ALC ZOP monitors will establish procedures for:

1.4.1.1. Performing the duties of base/station monitor for the base/station to which the ALC is assigned.

1.4.1.2. Requesting assistance from any organization within the ALC when technical expertise or capability is not available within the ALC ZOP office.

1.4.1.3. Screening referrals on receipt and scheduling evaluations along with other logical review actions so that a thorough response is provided to the challenger. A thorough screening of the justification and basis of each challenge/referral should also be performed to determine whether the case should be evaluated as an overpricing challenge or a price verification (see attachment 1A1, A1.3.2.1).

1.4.1.3.1. Inquiries pertaining to standard price accuracy, without additional information or justification (such as similar item prices, item substitution, recommendation of additional sources, etc.) will be evaluated as price verifications. Evaluation will then be limited to a review of the accuracy of the current standard price.

1.4.1.3.2. This limited evaluation of price verifications is in contrast to an overpricing challenge/referral in which not only is the standard price reviewed for accuracy, but also an in-depth review as to the reasonableness of the price is performed. This review could involve but not be limited to contract review, evaluation of item substitution, acquisition code review, pricing reviews of similar items, reverse engineering, or development of independent government estimates (IGE).

1.4.1.4. Ensuring corrections to price validation codes (PVC) and standard prices resulting from ZOP reviews are made through the designated inventory management specialist (IMS). Such corrections will be processed following recommended procedures prescribed in chapter 5, *Procedures and Use of Standard Prices*. Significant pricing error corrections must be initiated by the IMS via recommended procedures. (Significant pricing errors exist where the difference between the incorrect and correct catalog unit prices exceeds \$99.99, or there is a variance of 500 percent or more.)

1.4.1.5. Evaluating the previous price paid and identifying contract price reduction or voluntary refund candidates to the Contracting Directorate for action with the contractor when warranted.

1.4.1.6. Reviewing or ensuring a review is made of engineering data when available to make sure that the best acquisition method is used on the next buy (acquisition method code (AMC) screening).

1.4.1.7. Preparing a response to the initiating activity submitting the referral. The reply must be fully responsive and prepared in the format outlined in attachment 1A2. Referrals will be answered within 60 calendar days. If the initial response is only a receipt notice, it must be provided within five work days after receipt. It will indicate an anticipated completion date, especially if it will exceed the 60 day target. All replies will include the ALC POC including DSN and commercial telephone numbers, as well as electronic mail address.

1.4.1.8. Responding to requests for re-evaluations received from bases, stations, or centers.

1.4.1.9. Providing a breakdown of demands for the item by DoD component (Army, Navy, etc.) or other federal agency to ensure that they fund their pro rata share of the award as prescribed by AFI 38-401, paragraph 4.5.9. The ZOP case file will include annual demand or consumption rates, old and new prices to validate savings or anticipated savings, and the scope of use (Air Force or DoD wide). The IDEA Program Office is POC for funding any cash awards resulting from the ZOP evaluation.

1.4.1.10. Developing IGEs on noncomplex and complex types of items. Action on noncomplex items will be limited to supply management activity group (SMAG) items. For complex items, evaluators will review contracts and commercial catalogs for similar items, or any other pertinent information available in an attempt to answer referrals or challenges. The IGE prices or other appropriate data will be furnished to buyers for their possible future use, such as in contract negotiation.

1.5. Procedures for Processing Challenges.

1.5.1. If the item is stock listed, determine its PVC. PVCs are visible through the D043A/DO46 system interrogation, column 26 of the annual Stock Number Users Directory (SNUD), the last position of the Air Force service peculiar management control data in FED LOG (federal logistics data on compact disk) and segment H of the Federal Logistics Information System (FLIS), Total Item Record (TIR). These systems may be accessible through the local computer network. Challenges involving estimated prices (PVC of "E") will be forwarded to AFMC LSO/LGIS, formerly the Cataloging and Standardization Center (CASC), for coordination and evaluation with the Defense Logistics Information Service/Air Force Directorate (DLIS-F). These referrals will be considered under the Estimated Zero Overpricing Program (EZOP) rather than ZOP and all EZOP guidance applies (see chapter 3 of this volume.) Also comply with the instructions associated with PVC as outlined in chapter 4 of this volume.

1.5.2. Evaluate each zero overpricing case. The ZOP monitor performs an initial screening review upon receipt of each new case and determines whether the item will be evaluated as an overpricing challenge or price verification. In either event, the evaluator reviews the case to identify obvious mistakes, such as clerical or computer (administrative) errors that give the appearance of overpricing. Keep in mind that a surcharge is usually added to the contract unit price to establish the standard price—either first destination transportation (FDT) cost for non-MSD items or cost recovery (CR) for MSD items. If administrative errors are the cause of the apparent overpricing, the evaluator will ensure corrections are made, then the ZOP monitor will close the case and send a final reply to the originator.

1.5.3. If the item is managed by GSA or Federal Supply Service (FSS), the "escape clause" should be mentioned in the final reply. Specifically, an escape clause is now being added to new FSS contracts as they are negotiated. This clause permits users to locally

purchase identical items if they are available at a lower cost on the local market than on the schedule. To take advantage of this clause, notify the following:

Director
Office of Cost and Pricing (FCM) Federal Supply Service
General Services Administration
Washington DC 20406

1.5.4. If the challenge cannot be resolved locally:

1.5.4.1. Prepare a referral and forward it within 10 calendar days to the SOS POC designated in attachment 4 of this manual for resolution.

1.5.4.2. Submit identification of interchangeable items to the SOS, if the same or higher prices are identified. Annotate these items on the referral.

1.5.4.3. Submit as letters or by using AF Form 1046, **Zero Overpricing Challenge/Referral** (attachment 8). In all cases, the information in the referral format (attachment 1A1) applies. To preclude the SOS receiving premature follow-ups, such follow-ups should not be submitted until 70 calendar days after date of original submission, or 10 calendar days after the estimated completion date if a receipt notice was received.

1.5.4.4. Seek assistance from HQ AFMC if a period of 90 days has elapsed or 3 unsatisfied attempts at follow-up have been made by the ZOP monitor without reply from the SOS.

Note: Generally, referrals will not be made for terminal items (Acquisition Advice Codes (AAC) "T," "V," "N," or "Y"); LP items (AAC "L"); local fabrication items (AAC "F"); restricted requisitioning items (AAC "W"), or Foreign Military Sales (FMS) (AAC "P"). Exception to these exclusions may be made at the discretion of the ZOP monitor. PVC "E" (estimated price) items, which require cataloging action or review, will be forwarded to AFMC LSO/LGIS, 74 Washington Ave N, Suite 8, Battle Creek, MI 49017-3094 for coordination with and subsequent processing by DLIS-F. Items with PVC "A" or "D" will be returned to the challenger citing the reasons outlined in chapter 4 of this manual.

1.5.5. If additional local assistance is required for resolution:

1.5.5.1. Refer LP cases to the base (operational) contracting officer for resolution if the challenge involves corrective action over which the contracting office has control. If it involves an inadequate purchase description or specification, then it should be referred to the appropriate functional activity for correction.

1.5.5.2. Refer LM item price challenges to planners/estimators who evaluate costs of organic (local) manufacture within the local production facility for evaluation and final determination.

1.5.5.3. Request assistance from the comptroller in determining the cause of overpricing only when applicable.

1.6. Procedures for Reviewing Challenges Returned from SOSs.

1.6.1. When the ZOP monitor receives a completed referral from the SOS, one of the following actions will be taken:

1.6.1.1. For challenges approved by the SOS, the monitor will, to the extent possible, recommend the dollar amount of the award based on the IDEA program's guidelines for awards and documentation of calculated benefits (savings). (Working with your IDEA office is highly recommended.) Notify the challenger of the approval and also of their option to submit the challenge as an approved ZOP "Confirmatory IDEA" (using AF Form 1000, **IDEA Application**, or the IPDS computerized format, as applicable) within 30 days of notification of approval. (See paragraph 1.7.)

1.6.1.1.1. The ZOP monitor is responsible to advise challengers when appropriate that reverse posting of any overcharges incurred should be requested by the challenger on behalf of their unit. The local POC for reverse posting requests is typically Base Supply Customer Service.

1.6.1.2. For challenges disapproved by the SOS and the monitor concurs, the ZOP monitor will prepare a final reply to the challenger clearly explaining the evaluator's determinations related to each concern mentioned in the challenge/referral.

Acknowledgment and appreciation of the challenger's efforts must also be included in this reply, as well as all other final replies, regardless of the results of evaluation of the referral. A satisfactory reply might also be a cover letter attached to the SOS's final reply. The challenger must be apprised of the option to request reevaluation if dissatisfied with the evaluation. The ZOP case will be closed upon issuing the final reply (no pending actions) to the challenger.

1.6.1.3. If the ZOP monitor does not concur with the SOS evaluation, a request for reevaluation will be submitted to the SOS. If the case requires further review beyond reevaluation, it will be submitted through the chain of command for resolution.

1.7. The Relationship of Zero Overpricing and the IDEA Program (AFI 38-401).

1.7.1. Monetary awards can be based on either tangible or intangible benefits. If a base, station, or center ZOP monitor verifies actual overpricing (tangible), either at base or SOS level, the case may be considered for a monetary award through the IDEA program as an approved ZOP confirmatory IDEA. Under such circumstances, the ZOP monitor must notify challengers of their option to submit an IDEA program computerized AF Form 1000 through the IPDS system within the 30-day requirement. (Check

with your IDEA office to see if a manual AF Form 1000 is acceptable.) The IDEA analyst must confirm that the challenge meets the requirements of AFI 38-401.

1.7.1.1 Approved ZOP challengers must submit their confirmatory IDEA applications within 30 days of *notification* of approval, not the date of the ZOP challenge SOS approval. Challengers may request assistance from the IDEA Program Office to ensure the required ZOP information/documentation is included in the IDEA submission through the IPDS program.

1.7.1.2. The IDEA Program Office evaluates savings/benefits from the approved ZOP challenge and determines the appropriate recognition. Monetary awards generally are based on tangible dollar savings where actual overpricing has been corrected or other tangible savings have resulted, such as the development of a new source in which a new buy was made within one year. Actual overpricing means the government paid a higher price than that considered fair and reasonable. However, monetary awards also may be based on intangible benefits when savings cannot be quantified.

1.7.1.3. When the ZOP monitor receives sufficient data to indicate an actual overpricing exists, the amount of annual savings must also be calculated and provided to the IDEA analyst. This annual savings determination is the amount upon which a cash award is based

1.7.1.4. IDEA program awards are paid *on approval*, rather than implementation, to fulfill one of the basic concepts of the IDEA program - timely recognition. Therefore, estimated tangible savings should be calculated on historical data, using the number of items purchased for the one-year period *prior* to approval of the challenge. If historical data does not exist for the entire year, estimated savings may be calculated based on whatever historical data is available.

1.8. Zero Overpricing Reports.

1.8.1. Zero Overpricing Report, RCS: HAF-LGI(A)8004, applies. Emergency status code is "D" (discontinue during emergency conditions). Base level ZOP monitors will prepare and submit an annual report per paragraphs 1.8.3 through 1.8.5 within 15 calendar days after the end of the fiscal year, 15 October or the closest work day to the 15th. Forward by mail, electronic mail or facsimile all annual reports to MAJCOM ZOP monitor (see paragraph 1.10). Each MAJCOM ZOP monitor must collect, tabulate, and send a command-wide annual activity report to HQ AFMC/LGIA. Host MAJCOMs will report all challenges generated by tenant activities. These reports are due to HQ AFMC/LGIA 15 November of each year (or closest workday to the 15th) and will cover the FY just completed. Such reports are used to evaluate the effectiveness of the program and provide ZOP information to HQ USAF activities, Office of the Secretary of Defense, and other governmental activities.

1.8.2. The report is comprised of three parts: information pertaining to challenges, awards, and "success stories."

1.8.3. Challenges. Enter the following information:

1.8.3.1. The number of ZOP challenges under investigation at the beginning of the reporting period. This beginning figure is the same as the ending figure on the prior year report.

1.8.3.2. The number of ZOP challenges submitted during the reporting period.

1.8.3.3. The number of challenges (from the total of paragraphs 1.8.3.1 and 1.8.3.2) verified as overpriced. Of the verified total, there are two subtotals: one represents actual verified overpricing and the other represents erroneous stock list prices or administrative errors (apparent overpricing).

1.8.3.4. The number of challenges found to be correctly priced (includes cases where current standard price reflects the price paid; however, potential savings may be realized on future buys).

1.8.3.5. The number of challenges still under investigation at the end of the FY. This figure is the sum of the figures in paragraphs 1.8.3.1 and 1.8.3.2, less the sum of the figures in paragraphs 1.8.3.3 and 1.8.3.4.

1.8.4. Awards. Enter the following information:

1.8.4.1. The number of monetary awards.

1.8.4.2. Total dollar amount paid in monetary awards.

1.8.4.3. Total tangible savings in dollars.

1.8.4.4. The total number of other types of awards, such as letters of appreciation/commendation, time off not chargeable as leave, or other types of awards or recognition.

1.8.5. "Success Stories." If awards of \$500 or more were made to an individual, that information should be included in this report. Included should be the challenger's name, organization, amount of the award, amount of savings, nomenclature of the item challenged, the challenged price, the revised price, and the SOS of the challenged item.

1.9. Program Publicity.

1.9.1. The ZOP monitor is responsible for publicizing the program. Since the success of the program relies on user input, publicity is required to generate and sustain interest. Strong program support is essential at all organizational levels and is best attained through program publication/presentation, as well as training. (See AFPAM 23-117. *The Price Challenge/Zero Overpricing Monitor Guide*.)

1.9.1.1. The ZOP monitors' responsibilities for program promotion include the following activities to continually develop the materials and means to encourage voluntary program participation and support to the greatest extent possible.

1.9.1.1.1. Prepare articles/news releases for publication in local base newspapers and daily bulletins.

1.9.1.1.2. Where appropriate, articles may be used by base or MAJCOM public affairs offices for submission to AFNEWS, Internal Information Directorate, Kelly AFB TX 78241-5000.

1.9.1.1.3. Advertise program frequently by use of:

1.9.1.1.3.1. Slogans on posters and billboards.

1.9.1.1.3.2. Inserts in bulletins, base newspapers and other pertinent periodicals.

1.9.1.1.3.3. Advertisements and program notifications via electronic billboards located both inside and outside facilities on base.

1.9.1.1.3.4. Presentations to various materiel user organizations.

1.9.1.1.3.5 Encouragement and facilitation of challenger recognition by their organizations through participation in awards ceremonies to further publicize the effectiveness of the program.

1.9.1.2. Training is also a vital part of the successful operation of ZOP. Training involves not only personnel directly involved and responsible for operation of ZOP but also any potential users (challengers) and their organizations. ZOP monitors have a responsibility to remain current on the latest program issues and policies by maintaining close communication with HQ AFMC, as well as other ZOP points of contact throughout the command. In addition, evaluators of ZOP referrals have the responsibility to ensure that their skills and knowledge are kept current in order to meet program objectives. The *Price Challenge/Zero Overpricing Monitor Guide* is available as reference. Quality control geared toward program improvement, particularly in areas of policies and procedures, is essential. The goal of providing challengers with thorough and timely evaluations must be considered. Evaluations that are incomplete or incorrect should not be provided to the challenger until corrections are made and a satisfactory evaluation is provided; proper training ensures that occurs. Periodic group training on a regular basis (i.e., annually) is recommended for ZOP monitors and evaluators. Training of materiel users should be provided by ZOP monitors regularly as part of program promotion presentations to base organizations.

1.10. Methods of Submission. The ZOP does not require the urgency assigned to message traffic. Therefore, mail channels, electronic mail or facsimile will be used as acceptable means of transmission except in unusual situations. An exception is authorized if suspense dates are involved. Do not transmit during minimize. Use of these submission options (mail, e-mail and fax) will, however, ultimately be determined by servicing ZOP monitor based on capability at the base or station.

1.11. Procedures during Base Closures/Personnel Making Change of Station (PCS).

1.11.1. ZOP actions will continue to be processed as long as the ZOP office is operational.

1.11.2. In the event of a base closure in which a ZOP office is closed, the ZOP monitor will instruct challengers to forward their challenges to their next anticipated duty station.

1.11.3. If a challenger is transferred, the ZOP monitor will forward the case to the challenger's next duty station.

1.12. Form Prescribed. One form is prescribed -- AF Form 1046. For bases or stations with electronic mail and/or facsimile capability, evaluation packages may be transmitted electronically, providing a follow-on signed copy of AF Form 1046 is supplied by the challenger. Use of these transmission options will be determined by the ZOP monitor at the evaluation level. In the event of a confirmatory IDEA, a computerized IPDS submission or an AF Form 1000 (check with your IDEA Office to see if the hard copy form is acceptable) must be provided by the challenger to the local IDEA program to be eligible for an award per AFI 38-401. (See paragraph 1.7 for further information.)

Attachment 1A1
DEFINITION OF PRICING TERMS

1A1. Accelerated ZOP Challenge (AZOP). Formerly known as Emergency Spare Parts Information Network (ESPIN). AZOP is a means to quickly respond to high-level allegations involving the cost of spare parts which have the potential for, or have previously received, widespread media attention. Although considered separate from the ZOP, AZOP is managed within that program.

1A2. Actual Overpricing. Verified actual overpricing based on a determination that the government paid too much for an item for any of several reasons (see paragraph 1.1, this volume). Tangible savings may result from the correction of actual overpricing.

1A3. Administrative Error. An administrative error occurs when it is determined some type of clerical or data entry error within the government has occurred. Usually such errors fall in the standard price error category (see *standard price error*); however, administrative price errors caused by base-level actions—and corrected at that level-- are exceptions to the standard price error rule. In either case, the error was not related to the actual contract price the government paid a contractor or supplier for the item. Since administrative error implies the error occurred within the government, the resulting correction/adjustments are made between government services, agencies, or organizations. Administrative errors can occur in prices or units of issue.

1A4. Annual Demand Rate. The expected total quantity of the item that will be required to meet a time frame of one year of demand by all using bases, stations, and centers.

1A5. Annual Update of SMAG Prices. Each October standard prices for SMAG items are updated to reflect any new acquisition, plus an authorized surcharge for inventory losses, transportation, and price stabilization. These price updates are the responsibility of the IMS.

1A5.1. Any new EOQ buy made before 1 June must be included in the 1 October (new FY) update. In other words, a buy made after 31 May and before 30 September will not be input until the following FY update.

1A5.2. Usually, the updated price will remain unchanged for the entire FY. The only exceptions are:

1A5.2.1. An estimated procurement unit cost becomes definitized or made firm, at a different unit cost.

1A5.2.2. An error was discovered in the computation of the published standard price that meets the criteria for a significant price error -- meaning a unit price change between the incorrect and correct price that exceeds \$99.99 or 500 percent.

1A6. Apparent Overpricing. Questionable high price resulting from an administrative error in a government data system or record. Responsibility for and correction of such an error is within the purview of government agencies, or organizations and such action may result in intangible savings.

1A7. Breakout. There are two types:

A7.1. To Competition. Review of a sole source item leads to the location of data and information sufficient to allow other contractors to bid on and produce an acceptable item. Thus an item that was previously obtained noncompetitively from a “sole source” can now be acquired through competitive procedures which will possibly result in a lower contract price.

1A7.2. To Actual Manufacturer. Review leads to the identification of and acquisition from the company that actually has responsibility for designing and manufacturing that part. Previously, the part was being bought from the prime contractor who added its cost and profit (pass-through cost) before selling the item to the government. This action typically results in savings to the government.

1A8. Carcass Cost (CC). The value of an asset when the Latest Repair Cost and Center Direct/Indirect CR plus General and Administrative CR at the latest Acquisition Cost have been removed from the Standard Price of the item.

1A9. Center Direct/Indirect CR at Latest Acquisition Cost. The portion of the CR element that the Air Logistics Centers can influence as applied to the Latest Acquisition Cost. Center Direct/Indirect CR is an expense developed by the wholesale division with input from the Inventory Control Point (ICP). They are supply operations costs, DLA receipt costs, DISA, BOS and second destination transportation costs. (Refers to MSD only.)

1A10. Center Direct/Indirect CR at Latest Repair Cost. The portion of the CR element that the Air Logistics Centers can influence as applied to the Latest Repair Cost. Center Direct/Indirect CR is an expense developed by the wholesale division with input from the ICP. They are supply operations costs, DLA receipt costs, DISA, BOS and second destination transportation costs. (Refers to MSD only.)

1A11. Centrally Managed Items. An item for which procurement, stockage, and issuance are from a single SOS. The SOS will procure the consolidated requirement for the item and will issue required quantities to the users as requested.

1A12. Challenge. The suggestion, question, or recommendation made by an individual to a ZOP monitor for review and possible referral to the SOS for evaluation.

1A13. Complex Item. Equipment and investment (recoverable) items. An item which requires extensive levels of experience and cost to evaluate in terms of price. Air Force evaluators must review the item itself, contractual information pertaining to the item and any other available information in an attempt to answer challenges or referrals; however, the SOS may be unable to evaluate complex item challenges. Complex (recoverable) items are identified with expendability, recoverability, reparability category (ERRC) codes of "C," "S," "U," and "T." These ERRC codes are unique to the Air Force.

1A14. Confirmatory IDEA. An Approved ZOP may be submitted as a Confirmatory IDEA when a zero overpricing evaluation is reviewed by the ZOP monitor and is determined to meet the criteria in AFI 38-401. The challenger must submit the approved challenge information through the IPDS computerized IDEA submittal or on an AF Form 1000 (IDEA Application), as required. Check with the IDEA Office about which submission is acceptable. An evaluation of the Approved ZOP information will be made by the IDEA office to determine monetary award, if any.

1A15. Cost Recovery. For MSD items, ICP CR replaced aggregate surcharge. Types of CR are Direct Overhead, Indirect Overhead and Materiel CR. Changes to CR become effective at the first of each FY.

1A16. Data. All drawings, specifications (including testing requirement, tolerance, and standards) and descriptive material that provide detailed information on the item, thus allowing technical analysis and review.

1A17. Escape Clause. This clause is added to new GSA FSS contracts and permits users to purchase locally identical items if available on the local market at a lower price than on the schedule.

1A18. Estimated Zero Overpricing Program (EZOP) Referral. Estimated prices, including undefinitized provisioning prices are excluded from ZOP and covered by EZOP. Confirmed estimated prices are forwarded to AFMC LSO/LGIS, formerly CASC, in Battle Creek, MI for evaluation.

1A19. Exchange Price (EP). The price charged to customers exchanging a reparable item for a serviceable one. This price is the Latest Repair Cost plus the Center Direct/Indirect CR at the Latest Repair Cost and the General and Administrative CR at the Latest Repair Cost plus Material CR.

1A20. First Destination Transportation Costs. For non-MSD items, FDT cost is added to the item contract costs in order to compensate for transportation costs and other expenses related to the shipping and handling of the item. If item acceptance is at the source, three percent is added to the contract price to cover FDT.

1A21. General and Administrative CR at Latest Acquisition Cost. The portion of the CR element that the Air Logistics Centers cannot influence as applied to the Latest Acquisition Cost. General and Administrative CR is a downward directed aggregate expense that is shared by all Air Logistics Centers. It includes Supply Operation Costs, BOS, DLA, SDT, ISAG, DISA, DFAS, DAASO, DRMS, DLSC, JLSC, AOR, depreciation (capital investment) costs and Loss and Obsolescence. The costs are prorated to an ICP based on the ICP's total sales. (Refers to MSD only.)

1A22. General and Administrative CR at Latest Repair Cost. The portion of the CR element that the Air Logistics Centers cannot influence as applied to the Latest Repair Cost. General and Administrative CR is a downward directed aggregate expense that is shared by all Air Logistics Centers. It includes Supply Operation Costs, BOS, DLA, SDT, ISAG, DISA, DFAS, DAASO,

DRMS, DLSC, JLSC, AOR, depreciation (capital investment) costs and Loss and Obsolescence. The costs are prorated to an ICP based on the ICP's total sales. (Refers to MSD only.)

1A23. Initial Provisioning. The process of determining the range and quantity of items (i.e., spares and repair parts, special tools, test equipment, and support equipment) required to support and maintain an item for an initial period of service. Its phases include the identification of items of supply, the establishment of data for catalog, technical manual, and allowance list preparation, as well as the preparation of instructions to assure delivery of necessary support items with related end articles. (In the past, many provisioning items did not reflect line item integrity and were combined and purchased on a total price basis rather than by line item. Thus, the standard [stock list] price of such an item reflected an estimated price, based on the distribution of overall manufacturing costs, rather than the actual cost of the item. As a consequence, the provisioning price may have not reflected the intrinsic value of the item and thus may have appeared to be unreasonably priced [apparent overpricing].)

1A24. Latest Acquisition Cost (LAC). The price paid for an item the last time it was procured from a supplier. The LAC is generally the latest representative contract price obtained from the Acquisition and Due-In System; however, it can be based on an earlier buy if the latest procurement is considered nonrepresentative. The LAC does not include any CR or inflation.

1A25. Latest Repair Cost (LRC). The current year depot repair End Item Sales Price. The LRC is either obtained from the Depot Maintenance pricing systems or is a value adjusted by the Inventory Manager based on updated information.

1A26. Local Purchase. Purchase by a base, station, or center contracting office of designated materials, supplies or services for its own use or use by supported activities. Generally, this applies to noncentrally managed items.

1A27. Mark-Up Price (MUP). The difference between the Standard Price and the Exchange Price that is added to the exchange price customer account if an unserviceable asset is not returned to the supply inventory. This price is a penalty paid by a customer if a Due-In From Maintenance (DIFM) asset is not returned within 60 days. The MUP will be reimbursed upon receipt of a reparable asset to clear the DIFM detail record after 60 days.

1A28. Material Cost Recovery (MCR). The portion of each Exchange Price sale that will pay for items needed to be purchased for customer support. The MCR represents the constrained Budget Year buy portion; the constraint being that it cannot be more than the customer is funded.

1A29. Overpricing. There are two kinds:

1A29.1. Actual overpricing: see definition for 1A.2.

1A29.2. Apparent overpricing: see definition for 1A.7.

1A30. Primary Inventory Control Activity (PICA) and Secondary Inventory Control Activity (SICA). The organization with primary responsibility for buying an item, the PICA, will provide inventory control and issuance for its own service, as well as procuring assets to other services requirements. For example, Warner Robins Air Logistics Center may be the PICA for an item, buying the total quantity of the item needed by all services, while a Naval Station could be the SICA and would request Warner Robins to buy Navy requirements for them, then the SICA would in turn provide the item to all Navy users. A SICA is the organization responsible within a given service for the inventory control and issuance of an item for that service.

1A31. Prime Contractor. The contractor who enters into a contract with the Government requiring performance of work or furnishing of supplies. The prime contractor integrates numerous items into a single weapon system, often buying parts from another contractor (i.e., a subcontractor) and delivering them to the Government with additional handling charges, but sometimes without any additional value added by the prime contractor.

1A32. Proprietary Rights. A contractor's exclusive legal rights of ownership of items, drawings, or data based on the firm having invented, discovered, or authored the item/property. This legally prohibits the government from providing this exclusively held information to another outside contractor for competitive reprourement.

1A33. Reevaluation. Request for reconsideration of a previously denied challenge/referral. May be requested by either the challenger or ZOP monitor.

1A34. Referral. Challenges from an individual which are turned in to the base supply ZOP monitor, who then sends these challenges, now considered referrals when referred off base, to the SOS that manages the item for evaluation.

1A35. Savings. There are two types:

1A35.1. **Tangible Savings.** Actual dollar savings that are calculated based on action taken as the result of a challenge/referral. This would include a voluntary refund from a contractor or an actual reduction in contract price as the direct result of the challenge/referral, such as use of an IGE in contract negotiations resulting in a reduced future contract price.

1A35.2. **Intangible Savings.** Estimated dollar savings that are calculated based on action taken as the result of a challenge/referral. This would include correction of standard price errors in that these are administrative errors within the government affecting intergovernmental funds or estimated (not actual) future savings, anticipated but not actually obtained.

1A36. Significant Standard Price Error. The amount of unit price change exceeding \$99.99 or a unit price variance between the incorrect and correct price of at least 500%.

1A37. Standard Price (SP). The price a customer is charged for an item, which remains constant throughout a fiscal year except for the correction of a significant error.

1A38. Supply Management Activity Group (MM) Items. The SMAG, formerly the Air Force Stock Fund, is a revolving or working capital fund consisting of cash and inventory that is used for obtaining and maintaining inventory. Items in this inventory are sold for cash. Cash resulting from these sales permits the procurement of additional inventory. The Air Force has five SMAG divisions:

1A38.1. The Air Force Academy Cadet Division manages supplies and services on behalf of the cadets.

1A38.2. Fuels Division covers bulk petroleum, and aviation and missile fuels.

1A38.3. Medical-Dental Division relates to medical and dental supplies as well as equipment.

1A38.4. General Support Division (GSD) relates to non-Air Force managed, retail type budget code 9 items. The SOS is generally DLA, GSA, other Services, LP or LM.

1A38.5. The Materiel Support Division (MSD) was implemented 1 Oct 97. The MSD merged the wholesale areas of three divisions into one division for Air Force managed budget code 8 items.

1A39. Source of Supply. The activity that supplies (through issuance) centrally managed items for DoD activities. Zero overpricing evaluation generally will be accomplished by the SOS identified in attachment 4A4 of this volume.

1A40. Standard Price Error. A pricing error discovered as the result of the evaluation of a challenge/referral. Such an error may result from miscalculation or incorrect development of the current standard price. Generally, such pricing errors are due to either human error or misapplication of surcharges. Once identified, significant errors (see significant standard price error) in standard prices will be corrected; however, the error has no impact on the actual contract price the government paid for the item. Intangible total government savings are realized based on correction of this error. Since this type of error is not considered actual overpricing, intangible (rather than tangible) government savings are realized based on correction of this type of error.

1A41. Surcharge. Factors added to the latest acquisition cost or repair cost price of an item to arrive at the customer's standard or exchanged price. Surcharges include transportation (costs of deliveries from production site to points of use or storage), inventory obsolescence and loss (costs of pilferage, damage, deterioration, physical inventory maintenance), supply operations support costs, inventory augmentation, depreciation, and carcass attrition costs (if applicable). For MSD, see Cost Recovery element/definition paragraphs A3.10, A3.11, A3.15, A3.21 and A3.22.

1A42. Unserviceable Asset Price (UAP). The price charged to a customer to purchase an unserviceable asset from the ICP. It includes the Carcass Cost of the unserviceable asset plus the Center Direct/Indirect CR at the Latest Acquisition Cost and the General and Administrative CR at the Latest Acquisition Cost.

Attachment 1A2
ZERO OVERPRICING REFERRAL FORMAT

MEMORANDUM FOR: [Appropriate Source of Supply (See attachment 1A4)]

FROM:

SUBJECT: Zero Overpricing Referral (AF Form 1046 or memo)

1. We believe the current standard price for the following described item is incorrect and may reflect possible overpricing to the Government. Request pricing data on this item be researched and that we be provided information on the results of this research. Where an actual overpricing is determined to exist, request anticipated annual tangible savings. Where intangible savings are believed to exist, request that information also be furnished.

2. Item Description:

- a. Name of item.
- b. NSN.
- c. Part number (optional if NSN is given).
- d. AAC.
- e. Commercial and Government Entity (CAGE) code or manufacturer's name.
- f. Catalog, technical order, end-item application, intended use (when available).
- g. Contract unit price or standard unit price of challenged item.
- h. Source of challenged price (receipt document, SNUD, FED LOG, Haystack/Parts Master, etc.).
- i. Requisition and/or contract number (optional; however, mandatory if the NSN is unknown).
- j. Challenger's estimate of what the price should be and the basis for this price. (For estimated price challenges, provide similar NSNs, if known.)

k. Physical description of the item (type, size, drawing, photograph, etc.).

3. Reason for Challenge. There should be sound basis for a challenge. While intuition may suggest a price is too high, the depot analyst/technician who must resolve the challenge needs factual information. With more information, the evaluator should be able to respond more rapidly. Challengers are encouraged to consult other knowledgeable persons to develop the challenge information. Examples of such information include:

- a. A different source which will furnish the identical item for a lower price.
 - b. Evidence of an alternate lower priced item having acceptable technical merit; however, the following must be considered:
 - (1.) Large price changes in new standard price listings are often caused by typographical or administrative errors. Rather than initiating zero overpricing referrals, inquiries as to whether such changes represent printing discrepancies or other errors should be sent to the responsible inventory control point (see attachment 1A4 of this manual) as price verifications. When a pricing error is corrected by this means, the challenger should be considered for an award based on intangible savings.
 - (2.) Standard prices include the contract unit prices plus any applicable surcharges. Surcharges can be high -- 25 to 50 percent is not unusual. Therefore, before forwarding a challenge to the SOS for action, the ZOP monitor should verify the referral is valid. If the referral is simply an inquiry as to whether the standard price is correct, consider this referral a price verification rather than a price challenge and forward the referral to the SOS for evaluation.
 - (3.) When LM is recommended and the item is weapon system related, e.g., the item appears in a Technical Order (TO) illustrated parts breakdown, the request will be submitted on an AFTO Form 135, **Source, Maintenance, and Recoverability Code Change Report**, and be processed in accordance with TO 00-25-195.
 - c. Technical evidence that the item (or its packaging) is over-engineered.
 - d. Any other substantial evidence justifying or supporting an investigation of the price.
4. Points of Contact: (Names, DSN and commercial numbers of ZOP monitor and challenger.)
5. Validation: For bases as well as the ALCs, this is performed by the ZOP monitor.

Attachment 1A3
ZERO OVERPRICING REFERRAL RESPONSE FORMAT

MEMORANDUM FOR: [Addressee on Original Submission]

FROM:

SUBJECT: Zero Overpricing Referral (Reference Overpricing Referral that was submitted by AF Form 1046 or memo dated _____)

1. Provide any background information on the item involved, plus the following specific data regarding the contract award that established the standard price being questioned:

- a. Date of contract award.
- b. Quantity purchased.
- c. Contract unit price.
- d. Applicable surcharges (see attachment 1A1 for definitions).
- e. Standard price. (Additional data pertaining to other contract awards may be included to fully respond to the referral.)

2. Describe the results of the referral recommendation using terminology that is easily understood by a layman unfamiliar with government procedures, regulations and jargon. If the recommendation was not adopted, rationale must be provided as to why not. In addition, include a statement as to which of the following four conditions apply to the referral:

- a. Item was overpriced. The price paid the contractor was reduced, either through a voluntary refund or other contractual action. Include the dollar value of the contract adjustment, the new standard unit price and the annual demand rate for the item. (This information is necessary to determine the amount of annual tangible savings.)
- b. Standard price was overstated due to an administrative error. Include the new standard price and the annual demand rate for the item. (This information is necessary to determine if there are intangible savings.)
- c. Standard price is correct. Evaluation of the referral did not generate an action that may reduce the price in the future.
- d. Standard price reflects the actual price paid; however, the evaluation of the referral did result in action being taken that may reduce the price in the future. Include the estimated month and year of the next contract award and the annual demand rate for the item. Estimated price reductions must not be included, since a wide variety of factors (such as quantity, delivery schedule, etc.) have significant impact on the unit price paid. The ALC file will be closed; however, the initiating organization may consider an award based on intangible and may elect to follow up within one calendar year after the date of final response in order to determine any applicable tangible savings.

3. Particular care and prudent judgment must be exercised when providing information in response to a challenge/referral submitted by employee of a government contractor. In all such cases, consultation is required with the Office of the Judge Advocate regarding the legality and propriety of information released in reply to these challenges/referrals. Disclosure of contractor proprietary information is strictly forbidden as this may not be divulged to other (potentially competing) contractors. Also, as the DoD is not allowed to pay cash awards to contractor personnel, other awards (e.g., certificates) should be presented to them when appropriate.

4. Include the name, DSN and commercial telephone numbers of a contact point, with the ALC assigned control number that should be referenced in any follow-up action.

5. Replies will be written in simple English using layman's language so anyone not familiar with government procurement or technical jargon can understand the reply.

6. Required to thank all challengers for participating in ZOP program.

Attachment 1A4
POINTS OF CONTACT (POC) FOR ZERO OVERPRICING
PROGRAM (ZOP) CHALLENGES/REFERRALS

1A4.1. PURPOSE: To provide a mailing list of office addresses for referring ZOP price challenge/referral submissions.

1A4.1.1. DLA Challenges:

1A4.1.1.1. Defense Supply Center, Columbus
ATTN: DSCC-VEB
PO Box 3990
Columbus, OH 43216-5000
DSN: 850-8830/3100 or FAX DSN 850-5266
Commercial: (614) 692-8830

1A4.1.1.2. Defense Supply Center, Richmond
ATTN: DSCR-VEC
8000 Jefferson Davis Highway
Richmond, VA 23297-5000
DSN: 695-5317 or FAX DSN 695-5484
Commercial: (804) 279-5317

1A4.1.1.3. Defense Industrial Supply Center
ATTN: DISC-BBEB
700 Robbins Avenue
Philadelphia, PA 19111-5096
DSN: 442-3020 or FAX DSN 442-1081
Commercial: (215) 697-3020

1A4.1.1.4. Defense Supply Center, Philadelphia
ATTN: DSCP-PC
2800 South 20th Street
Philadelphia, PA 19145-5099
DSN: 444-5856 or FAX DSN 444-2620
Commercial: (215) 737-5856

1A4.1.2. Air Force Challenges (ALCs and MAJCOMs):

1A4.1.2.1. OC-ALC/TILDC
3001 Staff Dr., Suite 1AA81A
Tinker AFB, OK 73145-3041
DSN: 336-3257 or DSN FAX 336-2633
Commercial: (405) 736-3564

1A4.1.2.2. OO-ALC/PKPP
6038 Aspen Ave. Bldg 1289U
Hill AFB, UT 84056-5805
DSN: 777-9999 (ZOP Hot Line)/9974 or DSN FAX 777-6830
Commercial: (801) 777-9999 (Hotline)

1A4.1.2.3. WR-ALC/PKPB
235 Byron Street
Robins AFB, GA 31098-1611

DSN: 468-7118 or DSN FAX 468-2925
Commercial: (478) 926-7118

- 1A4.1.2.4. Air Combat Command
HQ ACC/LGSIP
130 Douglas Street, Suite 210
Langley AFB VA 23665-2791
DSN: 574-7817 FAX: 574-3079
Commercial: (757) 764-7817
- 1A4.1.2.5. Air Education and Training Command
HQ AETC/LGSP
555 E Street E. Suite 238
Randolph AFB TX 78150-4440
DSN: 487-4320 FAX: 487-3988
Commercial: (210) 652-4320
- 1A4.1.2.6. Air Force Materiel Command
HQ AFMC/LGIA
4375 Chidlaw Road Deleted Suite 6
Wright-Patterson AFB OH 45433-5006
DSN: 674-0096 FAX: 986-2079
Commercial: (937) 904-0096
- 1A4.1.2.7. Air Force Reserves
HQ AFRES/LGSP
155 Second Street
Robins AFB GA 31098-1635
DSN: 497-1668 FAX: 497-0731
Commercial: (912) 327-1668
- 1A4.1.2.8. Air Force Special Operations Command
HQ AFSOC/LGRF
100 Bartley Street, Suite 224
Hurlburt Field FL 32544-5273
DSN: 579-2511 FAX: 579-5063
Commercial: (904) 884-2511
- 1A4.1.2.9. Air Force Space Command
HQ AFSPC/LGSP
150 Vandenberg Street, Suite 1105
Peterson AFB CO 80914-4430
DSN: 692-5617 FAX: 692-9865
- 1A4.1.2.10. Air Mobility Command
HQ AMC/LGXR
402 Scott Drive/ Unit 2A2
Scott AFB IL 62225-5308
DSN: 779-2698 FAX: 576-4982
Commercial: (618) 229-2698
- 1A4.1.2.11. Air National Guard
ANGRC/LGSP
3500 Setchet Avenue

Andrews AFB DC 20762-5157
DSN: 278-8806 FAX: 278-8195
Commercial: (301) 836-8806

1A4.1.2.12. **Pacific Air Forces**
HQ PACAF/LGSPP
25 E Street, Suite I326
Hickam AFB HI 96853-5427
DSN: 449-3068 x 303 FAX: 449-3002

1A4.1.2.13. **United States Air Force Europe**
HQ USAFE/LGSPP
Unit 3050, Box 105
APO AE 09094-0105
DSN: 480-7490/6370 FAX: 480-7748

1A4.1.3. **Medical Challenges:**
1A4.1.3.1. Air Force Medical Logistics Office (AFMLO/FOC-OD)
1423 Sultan Street, Suite 200
Fort Detrick, MD 21702-5006
DSN: 343-7267 or DSN FAX 343-2557
Commercial: (301) 619-7267

1A4.1.3.2. Customer Service
8006 Chennault Rd.
Brooks AFB, TX 78235
DSN: 240-3227 or DSN FAX 240-2498
Commercial: (210) 536-3227

1A4.1.4. **Estimated Price Challenges (EZOP):**
Department of the Air Force
Logistics Information Support Office (AFMC LSO/LGIS)
74 Washington Ave N, Suite 8
Battle Creek, MI 49017-3094
DSN: 932-5164 or DSN FAX 932-5157
Commercial: (616) 961-5164

1A4.1.5. **Other Service/Agency Price Challenges:**

1A4.1.5.1. **General Services Administration (GSA) Challenges Federal Supply Service (FSS):**
GSA/FSS 2FYEM
Engineering & Commodity Management Division
26 Federal Plaza, Room 20-130
New York, NY 10278
Commercial: (212) 264-2709

1A4.1.5.2. **Army Challenges:**
As of 1 Oct 2000, submit challenges via website <http://www.logsa.army.mil> Enter
Click on “weblog”
Click on “LOGistics help desk”
Click on “price challenge”. Fill in the information blocks of the form.
Provide information that additional documentation can be provided, if needed, in the Additional Comments block.

Executive Director
USAMC LOGSA
Attn: AMXLS-ML (Price Challenge)
Red Stone Arsenal, AL 35898-7466
DSN: 645-0574 or DSN FAX 645-7720
Commercial: (256) 955-0574

1A4.1.5.3. **Navy Challenges:**
Commanding Officer
Fitting Out & Supply Support Assistance Center
Price Fighter\$ Department (FOSSAC 08) Attn: Code 084
PO Box 15129
Norfolk, VA 23511-0129
1-800-NAV-CHAL (628-2425)
Commercial: (757) 445-1786

1A4.1.5.4. **Marine Corps:**
Commander
Marine Corps Logistics Base
Code 890/S. Beaver
P.O. Drawer 43019
Albany, GA 31704-3019
DSN: 567-5486 or DSN FAX 567-6793
Commercial (912) 439-5486

Attachment 1A5
SAMPLE AF FORM 1046, ZERO OVERPRICING CHALLENGE/REFERRAL

ZERO OVERPRICING CHALLENGE/REFERRAL <small>(See AFM 67-1, V 7, Pt 4, Attachment 1 and AFMAN 23-110, V2, Pt 2)</small>			
1. TO [Base/ALC ZOP Monitor]	2. FROM <small>(Submitting Activity, Control Number)</small> [Challenger's Address]	3. INFO TO [If necessary]	
<p>We believe the current catalog price for the following described item is incorrect and may reflect an overprice to the government. Please research pricing data on this item and provide us the resulting information. If you determine an actual overprice exists, provide the amount of anticipated annual savings. If intangible savings are believed to exist, provide us that information also.</p> <p>IMPORTANT NOTICE: Items 4, 5, 8, 9, 13, 15, 16, and 17 must be completed.</p>			
4. NATIONAL STOCK NUMBER (NSN) 1234-00-1234567	5. NAME OF ITEM Widget		
6. PART NUMBER <small>(Mandatory if NSN is unknown)</small>	7. CONTRACTOR AND GOVERNMENT ENTITY (CAGE) CODE		
8. UNIT PRICE OF CHALLENGED ITEM \$1,000	9. SOURCE OF CHALLENGED PRICE <small>(Receipt Document, SNUD, MIL-C, etc)</small> FLIS		
10. ACQUISITION ADVICE CODE	11. CATALOG, TECH ORDER, END ITEM APPLICATION, INTENDED USE		
12. REQUISITION NO. AND/OR CONTRACT NO. <small>(Mandatory if NSN is unknown)</small>	13. ESTIMATE OF WHAT THE PRICE SHOULD BE \$500		
14. ADDITIONAL IDENTIFYING INFORMATION <small>(Indicate size, type, or attach drawings, photos, or samples of the item. If applicable to item indicate: Is it a time change item? (Yes/No)). If "Yes" how often</small>			
<div style="display: flex; justify-content: space-between;"> <i>My base uses</i> <i>per month. (If used on more than one aircraft, list my MDS)</i> <i>How many used per aircraft?</i> </div>			
15. REASON FOR OVERPRICE CHALLENGE <small>(List additional source suggested alternate items, technical evidence of overpricing, other substantial evidence, etc) (See AFR 400-17, Attachment 1) (Continue on plain bond paper if additional space is needed.)</small> <p>Gadget, NSN 2345-00-2345678, by Smith & Jones Company, is an alternate to the Widget and costs much less. Provide as much additional information as possible to assist in determining if the challenge is true.</p>			
16. SUBMITTED BY			
a. NAME <small>(Last, First, Middle Initial)</small>	b. SIGNATURE	c. PHONE (DSN & COMM)	d. DATE
CHALLENGER [Typed or Printed]		123-4567 937-123-4567	
ZERO OVERPRICING MONITOR			
17. VALIDATED BY			
a. CHIEF OF SUPPLY OR SUPERVISOR OF ALC ZERO OVERPRICE MONITOR			b. DATE

AF FORM 1046, AUG 90 (EF-V1) (PerFORM PRO)

PREVIOUS EDITION IS OBSOLETE